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July 19, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

19 July 19, 2016


LORI GLASGOW
EXECUTIVE OFFICER

Dear Supervisors:

**ADOPT RESOLUTION EXEMPTING FROM PROPERTY TAXATION
ALL PERSONAL PROPERTY
HAVING A FULL VALUE OF \$5,000 OR LESS
(ALL DISTRICTS)
(3 VOTES)**

SUBJECT

Request that the Board adopt a resolution exempting all personal property assessments having a full value of \$5,000 or less from property taxation. The resolution will amend a previous resolution adopted by the Board on October 10, 1989.

JOINT RECOMMENDATION WITH THE DIRECTOR OF CONSUMER AND BUSINESS AFFAIRS THAT YOUR BOARD:

Adopt a resolution that all personal property having a full value of \$5,000 or less be exempt from property taxation.

PURPOSE AND JUSTIFICATION OF RECOMMENDED ACTION

Background

On July 21, 2015, a motion by Supervisors Solis and Knabe directed the Department of Consumer and Business Affairs (DCBA), in consultation with other relevant departments, to assess and report back in writing with recommendations on how to develop and implement the County's Small Business Initiative (SBI).

In developing the SBI, DCBA looked extensively to the Halsey report, which solicited feedback from targeted businesses through in-person surveys, an online survey, and

small business focus groups held in each Supervisorial District. In addition to the information gathered from these meetings, DCBA convened its own working groups.

DCBA convened a working group, consisting of representatives from Regional Planning, Public Works, Public Health, Agricultural Commissioner, Weights and Measures, Assessor, Treasurer and Tax Collector and Community and Senior Services to review the County's existing programs and resources available to small businesses and determine which resources could further the goals of the SBI. DCBA also requested that the departments provide proposals for new and expanded resources and programs that could reasonably be implemented as part of the SBI.

Based on information gathered from the working groups and the Halsey report, DCBA identified several County resources that could assist SBI eligible businesses. Those areas include: expedited licensing and permitting; waived or reduced taxes and fees; revised bid preferences for procurement opportunities; workforce development and training; and business development resources.

The Assessor directed staff to evaluate the feasibility and cost effectiveness of reducing the *personal property tax* to businesses with aggregate estimated values below a predetermined threshold. The Assessor's analysis of property tax revenue per record and assessment costs per record indicates that support for a new exemption from property tax is appropriate and supportable based on potential cost savings that may be reallocated to enhance operational efficiencies by deploying staff to work on higher value assessments. This analysis indicates that thresholds should be raised to \$5,000 for all personal property, beginning with the January 1, 2017 lien date. The current threshold is \$2,000, which was established by your Board in 1989.

In order to implement this proposal, the Board will need to amend the previous resolution.

Recommendation

Adopt the attached resolution, which has been approved as to form by County Counsel, to provide that until canceled or modified by your Board, there shall be an exemption from property taxation of all personal property assessments having a full value of \$5,000 or less. The exemption does not apply to those assessees which receive tax bills for more than one personal property assessment if the full value of all personal properties exceeds five thousand dollars (\$5,000).

Implementation of Strategic Plan Goals

The recommended action supports Goal 1, Operational Effectiveness of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The analysis of this change to the low value exclusion indicates that assessments of personal property under \$5,000 consistently generate less revenue than the costs of assessing and collecting them. Our records show that, on average, the cost of assessments under \$5,000 exceed the revenue by more than \$17.00 per bill.

The result of implementing this update of the existing low value resolution is a minor reduction in the overall assessment roll, and related tax relief for small business and others. The reduction in roll value, beginning with the 2017 lien date, is anticipated to be approximately \$260,000,000. The overall tax relief for these parcels is expected to be about \$3,250,000, benefitting approximately 70,000 taxpayers. The approximate revenue impact to the County will be \$650,000 (based on 25% of the 1% general tax rate).

FACTS AND PROVISIONS LEGAL REQUIREMENTS

The recommendation that the Board amend the previous resolution to provide an exemption from property taxation all personal property having a full value of \$5,000 or less is legally permissible.

The exemption does not apply to those assesseees which receive tax bills for more than one personal property assessment if the full value of all personal properties exceeds five thousand dollars (\$5,000).

Revenue and Taxation Code Section 155.20 provides that a county board of supervisors may exempt from property tax all real property with a base year value and personal property with a full value of not more than ten thousand dollars (\$10,000), that, if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them.

The previous resolution was adopted on October 10, 1989, exempting in relevant part all real property with a base year value and personal property with a full value of \$2,000 or less.

The amended resolution will leave all other provisions of the October 10, 1989, resolution intact.

IMPACT ON CURRENT SERVICES

Approval of this recommendation will provide tax relief to small businesses and all property owners from taxation of low value personal property.

The Treasurer and Tax Collector (TTC) supports the increase of the low value threshold for assessing unsecured personal property taxes because of the impact to taxpayers. The low dollar billings are easy for taxpayers to overlook, or forget about when updating their billing address. Failure to pay any unsecured tax bill results in the imposition of penalties and costs, as provided in the Revenue and Taxation Code and the County Code. Often, for these small dollar billings, penalties and costs can exceed the original tax amount. In addition, failure to pay any unsecured tax bill results in the filing of a tax lien, which affects a taxpayer's credit for up to seven years.

Respectfully submitted,



JEFFREY PRANG
Assessor



BRIAN STIGER
Director, Consumer and Business Affairs

JP:SMH
Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors
Treasurer and Tax Collector

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES**

WHEREAS, Revenue and Taxation Code Section 155.20 provides that a county board of supervisors may exempt from property taxes all real property with a base year value and personal property having a full value of not more than ten thousand dollars (\$10,000), that if not exempt, the total taxes, special assessments and applicable subventions on that property would amount to less than the cost of assessing and collecting them; and

WHEREAS, a board of supervisors may enact, amend or cancel such an exemption prior to the lien date for any tax year, to be effective for that tax year and for succeeding tax years until further action by such board of supervisors; and

WHEREAS, the Board of Supervisors adopted a resolution on October 10, 1989, consistent with Section 155.20 as it existed at that time, exempting in relevant part all real property with a base year value and personal property with a full value of two thousand dollars (\$2,000) or less; and

WHEREAS, the Assessor has advised and recommends, and this Board has thereby determined, that the cost of assessing personal property with a full value of five thousand dollars (\$5,000) or less, and collecting the taxes, special assessments and subventions on such properties would exceed the revenue to be generated:

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles that:

- (1) The October 10, 1989, resolution be amended.

(2) For the fiscal year 2017-2018, and for fiscal years thereafter until amended or cancelled by this Board, there is exempted from property taxation all personal property with a full value of five thousand dollars (\$5,000) or less.

(3) The exemption herein does not apply to those assesseees which receive tax bills for more than one personal property assessment if the full value of all personal properties exceeds five thousand dollars (\$5,000).

BE IT FURTHER RESOLVED that all other provisions of the October 10, 1989, resolution remain intact.

The foregoing resolution was on the 19th day of July 2016,
adopted by the Board of Supervisors of the County of Los Angeles and ex officio the
governing body of all other special assessment and taxing districts, agencies and
authorities for which said Board so acts.



LORI GLASGOW
Executive Officer
Board of Supervisors

By Rachelle Amitherman
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By Richard Girgado
RICHARD GIRGADO
Senior Deputy County Counsel

RG